

MANUFACTURING EXPANSION CONTINUES

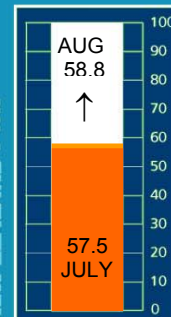
FOR THE MONTH OF AUGUST 2004

The ANZ-Business NZ Performance of Manufacturing Index (ANZ-Business NZ PMI) is a monthly survey of the manufacturing sector providing an early indicator of activity levels. The ANZ-Business NZ PMI contains data obtained through Business NZ's regional organisations: Employers' & Manufacturers' Association (Northern), Employers' & Manufacturers' Association (Central), Canterbury Employers' Chamber of Commerce and Otago Southland Employers' Association. When interpreting the data, a PMI reading above 50 points indicates manufacturing is generally expanding; below 50 indicates it is contracting; the distance from 50 indicates the strength of expansion or contraction.

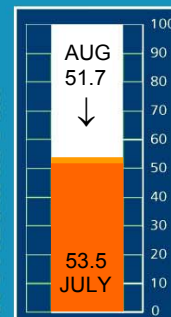
KEY FINDINGS

- The ANZ-Business NZ Performance of Manufacturing Index stood at 58.8 for the month of August. This was 1.3 points higher than July, indicating continued expansion in the manufacturing sector. In comparison with August 2003 (51.9), the 2004 value showed much stronger activity, while it was also slightly higher than in August 2002 (58.2).
- New orders* (63.6) remained the strongest sub-index value for the tenth consecutive month, slightly up on July's value of 61.6. *Deliveries of raw materials* (60.7) index increased 6.2 points from July. The *production* index rose only 0.5 points to stand at 59.8, while the *finished stocks* sub-index continued to record stronger expansion at 56.3. The *employment* sub-index was the only index not to record expansion after falling to 50.2 in August.
- Activity by sector was expansionary for all industries during August. The *machinery & equipment* sector (60.7) recorded a strong level of expansion, as did the *petroleum, coal, chemical & associated product* sector (59.8). The *textile, clothing, footwear & leather* sector (58.4) bounced back from a decline in July to record expansion in August.
- All four regions recorded expansion during August. The Northern (61.1) and Canterbury/Westland (59.6) regions continued to jostle for the highest level of expansion, while the Central region (55.9) experienced relatively little change in its level of expansion for August when compared with July. The Otago/Southland region (57.5) returned to June levels as the decline experienced in July was more than negated by the rise in August.
- All firms by size continued to record expansion for August. Micro sized firms (1-10 workers) recorded their strongest level of expansion (63.9) since the survey began in August 2002. Small-medium sized firms (11-50 workers, 57.3) and large firms (100+ workers, 53.8) recorded relatively moderate levels of expansion for August, while medium-large sized firms (51-100 workers) experienced a stronger lift in expansion for August (61.7).
- Despite all sectors recording expansion for August, comments were mixed amongst sectors. The *metal product* sector noted a continued lack of skilled staff, leading to a decline in employment levels for August. The *food, beverage & tobacco* sector commented on preparations already beginning for the Christmas season, while the *machinery & equipment* sector continued to experience a stable flow of new orders, particularly from the domestic market.
- Like July, current manufacturing conditions were deemed to be better than at the same point in 2003. The main positives during August were increased domestic and international demand, as well as diversification through new product lines. However, a lack of skilled staff seems to again be a major factor hampering expansion.

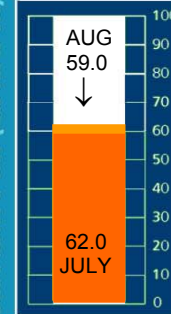
NEW ZEALAND PMI



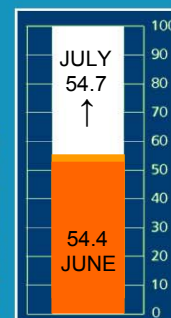
AUSTRALIAN PMI



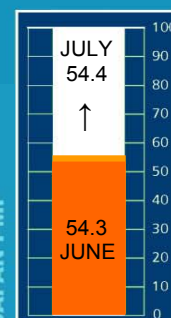
USA ISM PMI (ex NAPM)



EUROZONE PMI



JAPAN PMI



PRODUCTION

- The ANZ-Business NZ *production* diffusion index stood at 59.8 for August. This was relatively unchanged from July, but 10.9 points higher than in August 2003.
- The *wood & paper product* sector (65.8) recorded a strong level of expansion in production during August, as did the *machinery & equipment* sector (62.2).
- The Northern region (63.2) recorded the highest level of expansion for August. The Canterbury/Westland region (61.5) also recorded strong growth, while the Central and Otago/Southland regions experienced similar levels of expansion (55.6 and 56.5 respectively).

EMPLOYMENT

- The ANZ-Business NZ *employment* diffusion index (50.2) recorded a second consecutive fall. The August 2004 result was lower than that recorded for both August 2002 and 2003. Other labour market indicators suggest businesses are finding it difficult to find suitable applicants across all skill levels.
- The *textile, clothing, footwear & leather* sector (52.9) experienced slight expansion. Most other sectors experienced virtually no change or a slight decline.
- The Otago/Southland region (58.7) went from slight decline in July to record the highest value for the current month. The Canterbury/Westland region recorded no change (50.0), while both North Island regions experienced slight declines.

NEW ORDERS

- The ANZ-Business NZ *new orders* diffusion index (63.6) continued to record the highest value of the five diffusion indexes for August, as it lifted 2 points from July. The August 2004 value was higher than both the August 2002 and 2003 values.
- New orders were again particularly strong for some manufacturing sectors. The *textile, clothing, footwear & leather* (67.6) and *metal product* (65.5) sectors both recorded a very high level of expansion. Most other sectors recorded values in the 60+ range.
- The Canterbury/Westland and Northern regions continued to show strong expansion with similar levels in August (66.7 & 66.5 respectively). The Central region (60.6) improved on their July result, while the Otago/Southland region recovered from a decline in July to experience expansion in August.

FINISHED STOCKS

- The ANZ-Business NZ *finished stocks* (56.3) diffusion index for August experienced a slight increase in expansion from July, as well as recording a higher value than that in August 2002 and 2003.
- The *petroleum, coal, chemical & associated product* sector (62.2) recorded a high level of expansion for August, while the *food, beverage & tobacco* sector (60.9) also recorded strong expansion.
- All regions recorded moderate to strong expansion in finished stocks, with the Northern region (59.9) again recording the highest value. The Otago/Southland region (52.2) continued to record the lowest value, but did record expansion for the first time in 6 months.

DELIVERIES

- The ANZ-Business NZ *deliveries of raw materials* diffusion index rose 6.2 points from July to stand at 60.7 for August 2004. This value was higher than that for August 2002 and 2003.
- Sector results were mostly positive. The strongest expansion was in the *machinery & equipment* sector (69.5).
- Deliveries of raw materials were expansionary for all regions, with the highest being the Northern and Otago/Southland regions (63.2 and 63.0 respectively).

National Indexes	Aug 2003	June 2004	July 2004	Aug 2004
ANZ-Business NZ PMI	51.9	62.2	57.5	58.8
- Production	48.9	63.6	59.3	59.8
- Employment	50.8	56.0	52.1	50.2
- New orders	56.1	67.7	61.6	63.6
- Finished stocks	51.6	55.8	55.8	56.3
- Deliveries	50.3	61.4	54.5	60.7

Regional Indexes*	Aug 2003	June 2004	July 2004	Aug 2004
ANZ-Business NZ PMI	51.9	62.2	57.5	58.8
- Northern	52.2	63.6	60.6	61.1
- Central	48.6	60.8	55.2	55.9
- Canterbury / Westland	60.2	62.4	60.9	59.6
- Otago/Southland	53.4	56.1	45.8	57.5

*Regions (grouped according to Business NZ's associated regional organisations)

Northern (EMA Northern): Northland, Auckland, Waikato, Bay of Plenty

Central (EMA Central): Gisborne, Hawke's Bay, Taranaki, Manawatu, Wanganui, Wellington, Nelson, Tasman

Canterbury/Westland (CECC): Canterbury, Marlborough, West Coast

Otago/Southland (OSEA): Otago, Southland

Next ANZ-Business NZ PMI (September results): 15 October 2004

WHAT IS THE PMI?

The ANZ-Business NZ Performance of Manufacturing Index (PMI) is a composite index based on the diffusion indexes for production, new orders, deliveries, inventories and employment, with varying weights.

A PMI reading above 50 points indicates that manufacturing is generally expanding; below 50, that it is declining. The distance from 50 is indicative of the strength of the expansion or decline.

SPONSOR STATEMENT

ANZ National Bank Ltd is delighted to be associated with the survey of NZ Manufacturing and Business NZ. This association brings together the significant experience of leading advocacy body Business NZ and business finance specialist ANZ National Bank Ltd. We look forward to continuing our association with Business NZ and associated regional organisations EMA (Northern), EMA (Central), Canterbury Employers' Chamber of Commerce and Otago Southland Employers' Association, and to playing our part in the ongoing development of New Zealand manufacturing.



CONTACT

Stephen Summers
Analyst Business NZ
ssummers@businessnz.org.nz

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